



CITY COUNCIL AGENDA STATEMENT



SEPTEMBER 17, 2013, Item _____

ITEM TITLE: PRESENTATION OF THE CHULA VISTA BUSINESS CLUSTER ANALYSIS

SUBMITTED BY: ECONOMIC DEVELOPMENT DIRECTOR
PRINCIPAL ECONOMIC DEVELOPMENT SPECIALIST

REVIEWED BY: CITY MANAGER

4/5THS VOTE: YES ☐ NO ☒

SUMMARY

The City of Chula Vista has a variety of positive geographic, infrastructure, workforce and customer attributes that make it an attractive and competitive location for existing and new businesses to thrive. Despite these abundant qualities, the City continues to have a jobs/housing imbalance and lacks a sufficient number of high paying jobs to reach and sustain its regional economic potential. Improving the parity between the number of City jobs and resident workers provides a number of community and regional benefits. Improving the number of “quality” jobs in pursuit of that parity provides a foundation for economic growth and sustainability.

The City Council authorized staff to contract with Chabin Concepts for a “Business Cluster Analysis,” to analyze the range of options with the potential to successfully attack this challenge and select the best strategy to reverse the imbalance. The Analysis identifies business sectors and clusters with the most potential to create the greatest number of quality jobs in Chula Vista. Chabin was also tasked with identifying the City’s current strengths and weaknesses in retaining and attracting businesses in those sectors and the business needs that must be addressed to maximize the City’s potential to expand, attract and sustain these quality employers. Developing business clusters that create local quality jobs is a key component in building Chula Vista’s economically sustainable future. The Executive Summary outlines all the recommendations in the Analysis (Attachment A1, pages 10-18). The recommendations are detailed in their

respective sections; Competitive Location Assessment (pages 30-38), and the Go-to-Market Strategy (pages 3, 4, 16, 20 & 22) sections of the Analysis and are summarized in this report.

Staff and the consultant will provide an overview of the Analysis and receive input from the City Council. Staff will incorporate that input into a detailed work plan, action steps and budget and return to Council within 90 days.

ENVIRONMENTAL REVIEW

The Environmental Review Coordinator has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines, therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

RECOMMENDATION

Council accept the report and provide staff with direction for the implementation of the consultant recommendations.

BOARDS/COMMISSION RECOMMENDATION

There is no applicable board or commission within the City that will review this report. However, City staff will present the report to the Chula Vista Chamber of Commerce, the South County Economic Development Council, additional business associations and a variety of existing businesses in the targeted cluster sectors, and report their comments to City Council with the work plan.

DISCUSSION

There have been two major strategic economic development planning efforts in recent years. In 2003, the Chula Vista City Council adopted the Comprehensive Economic Development Strategy. In 2006, the City adopted an Economic Development Element as part of the General Plan comprehensive update. These two strategic documents have provided a guide for the City’s recent Economic Development programs within the context of the recession. The current Business Cluster Analysis does not replace these adopted strategic economic strategies. The Analysis targets components of these strategies by identifying the key weaknesses and best fit solutions for economic prosperity from this point forward in the City’s economic evolution. The Analysis is intended to provide a road map that identifies the best prospects for expanding and attracting the highest value business sector and cluster targets that generate immediate and sustainable economic benefit for the community.

The Chula Vista Business Cluster Analysis consists of the following four documents:

- 1: Executive Summary
2. Competitive Location Assessment
- 3: Target Industry Clusters
- 4: Go-to-Market Strategy

Competitive Location Assessment

The Competitive Location Assessment (CLA) is a qualitative process of evaluating the local business climate to identify compatible industries that will most likely prosper with Chula Vista's assets. The evaluation focused on business factors associated with location decisions by corporate executives and the business climate perception of local stakeholders. Throughout the CLA phase, Chabin and their consultant partners (Consultant Team) analyzed Chula Vista through the eyes of a Corporate Real Estate Executive who makes decisions on new long-term investments for the company's growth or market position plans.

Over 48 stakeholders were involved during the CLA, which included a Land Supply & Building Inventory, a Corporate Location Exercise, and Business Climate interviews. Those interviewed included Non-residential Developers, Property Owners and Brokers, Site Location Consultants and Corporate Real Estate Executives, Local Businesses and Partner Organizations.

The CLA examined twelve main factors that Site Location Consultants and Corporate Real Estate Executives utilize in selecting a location. Each factor is ranked a Strength (competitive advantage for expansion and attraction), Neutral (no advantage or disadvantage), or a Weakness (a disadvantage) as compared to other regions. The City's overall ranking in this exercise was Neutral. The City needs to improve the perception and real barriers to transforming Neutral and Weakness rankings that it controls, to Strengths if Chula Vista is going to be competitive with these targeted business sectors and clusters. The Study contains recommended priority action steps, several of which the City has already begun implementing. Additional discussion of the recommended actions and actions taken to date, are discussed in the Recommendations/Next Steps section of this report below.

Target Industry Clusters

This portion of the Study utilized a multitude of local, national and international sources to identify existing and potential "best fit" industry clusters for Chula Vista. Determining target industries for Chula Vista involves both quantitative and qualitative evaluations. First, a Target Industry Analysis was conducted, which consisted of a screening process of multiple sources to identify the best fit targets. Second, regional and industry research was applied to target industry identification to align Chula Vista's assets and opportunities to business clusters. Also included as part of this task was the Competitive Location Assessment (discussed above) which provided the qualitative evaluation – corporate location decision factors, a real estate market analysis, and a local business climate survey – which was used to further identify the target clusters.

The final process for identifying business clusters involved the further investigation of niche and emerging industries, as well as research of the target industries identified to understand their needs, such as workforce, in a location. During this phase the Consultant Team also investigated linkages with regional assets and how those assets / opportunities affect Chula Vista's position in the market place, such as, Chula Vista's proximity to Tijuana and their manufacturing hub. The result is matching Chula Vista's assets and market situation from the competitive assessment to identify Chula Vista's Target Industry Clusters.

Six primary industry clusters were identified as "best fits" based on Chula Vista's strengths and assets. The clusters include Advanced Manufacturing, Clean Technology, Education &

Innovation Centers, Information & Communications Technologies, Headquarters & Administrative Sales Offices, and Health & Wellness Services. Average wages for the target industries range from a low of \$42,000 to a high of \$125,000 depending on the industry and occupations. There is a convergence of strengths and assets around several of the clusters, such as Health and Wellness with Sports Medicine. Also identified were convergence industries, such as, Medical Device (advanced manufacturing, innovation and health) as well as industries linked to growth sectors in Tijuana.

The targeted clusters are not intended to exclude opportunities that present themselves. Instead, it is a means to focus limited resources to retain, expand and attract businesses. The sectors in this analysis are Chula Vista's best opportunity for success. Preparing for the attraction and expansion of targeted clusters and building experience in creating "Go to Market Strategy" packages also prepares the City for a better and more rapid response to inquiries outside the target areas.

Go-to-Market Strategy

The final task of the Study is the Go-to-Market Strategy. The City's first actions in the Go-to-Market Strategy will be to address the weaknesses and constraints identified in the Competitive Location Assessment. Addressing weaknesses and removing constraints are critical from both business retention and attraction perspectives. Those actions add to the City's business climate reputation – changing neutral and weakness factors to strengths. The Go-to-Market Strategy is focused on the Industry Clusters identified in the Business Cluster Analysis and would become a key component of the City's Economic Development program and a complement to the Marketing and Communications Plans. It is not intended to be an overall City branding, marketing or communications plan.

The purpose of the Go-to-Market Strategy is to:

1. Recommend Business Retention & Expansion actions focused on Chula Vista's key industries;
2. Recommend packaging, marketing, promotion and recruitment tactics for the targeted Industry Clusters;
3. Provide tools to develop a list of Target Industry Businesses (domestic and international) in each cluster to launch prospecting efforts; and
4. Provide an estimated budget for implementing business retention and attraction marketing and prospecting.

Next Steps/Recommended Actions:

As stated above, staff will be returning to the City Council within 90 days with a detailed work plan, action steps and budget. The Executive Summary provides an overview of all the recommendations provided in the Business Cluster Analysis (Attachment A1, pages 10-18). Below is a summary of those recommendations which are located in the Competitive Location Assessment and the Go-to-Market Strategy sections of the Analysis.

The recommendations are focused on changing the perception and reality for Chula Vista Competitive Location "factors" from neutrals and weaknesses to strengths, for creating quality

jobs through expansion, attraction and investment. The priority recommendations contained in the Competitive Location Analysis include: 1) Project Development, Policies & Practices; 2) Real Estate Readiness; and 3) Positioning; and 4) Packaging.

Project Development, Policies & Practices.

The City has been working on several fronts to improve the project development, policies and practices. Most notably, in 2010 the City Council adopted several development process streamlining initiatives to significantly reduce the length of time it takes a project to receive its entitlements. That is not a static process; staff continues to work with stakeholders to “continually improve,” the development process. The perception remains that the typical development process is still too lengthy. To address this, one of the initial steps in the Economic Development work plan will be to prepare case studies, testimonials, and marketing materials to demonstrate the improvements that have been made in this area and that aggressive timelines can be met with collaborative partnerships.

Real Estate Readiness

The City is currently constrained with limited “shovel-ready” sites (major industrial sites for new users within 6-12 months) in quality business-park environments. The Consultant Team found this to be a significant weakness in the City’s ability to retain, attract and expand high quality employment.

The City is limited in its authority to control the ultimate “readiness” land of which it does not solely own or control. The City continues to work in partnership with the Port District to move the Bayfront Master Plan to shovel ready status. Similarly, the City is working in cooperation with the land owners in the University Villages to secure the necessary entitlements to move the villages and the University Park and Innovation District towards shovel ready status. The City needs to place a complimentary level of emphasis on identifying and preparing Limited Industrial and Industrial lands for shovel ready status. The City will also continuously work with its partners to proactively market these projects to the appropriate target audiences.

Positioning

The City of Chula Vista is uniquely positioned in the heart of the US/Mexico bi-national region. However, locating companies in California is a challenge given the state’s reputation, regulatory climate and tax structure and puts Chula Vista in direct competition with other southwestern states which, on a comparative basis, have a lower cost structure.

What is distinctly unique that differentiates Chula Vista is the proximity to Tijuana, the connectivity to San Diego’s resources and educational institutions, as well as a multinational residence base. Chula Vista offers a quality location for headquarters, sales, research/development and high tech testing with the cross-border manufacturing opportunity.

There are several regional efforts taking place to capitalize on the City’s unique physical location. The City will be re-engaging the Cali-Baja Mega-Region Initiative, which seeks to attract business investment along the entire California - Baja, Mexico border region. City staff will continue to grow the relationship it has with the Tijuana EDC, as well as other economic

development organizations in the Baja region to jointly market and attract investment in the region.

Providing the size and quality of workforce that Chula Vista will need to reach its economic potential will require a renewed emphasis in partnerships between the City, targeted businesses sectors, Southwestern College and other regional centers of education that can build a workforce with the skills that match those targeted business' needs. Those partnerships in vocational and academic training are a vital part of the expansion, attraction and retention of quality employers, and South Bay's ability to establish quality jobs for the current and future generations of Chula Vista and South Bay residents.

Packaging

The packing of the City's marketing materials will require developing a cohesive data set from a variety of sources both internal and external to the City. Staff has begun to compile a compendium of user-friendly maps identifying all existing and planned business and industrial areas within the City, applicable zoning, major property owners / broker contacts, and probable timing of delivery. Staff is also developing collateral material such as maps, workforce data and business cases to support marketing and business attraction. Developing the capacity to promptly prepare a comprehensive business package, tailored to the specific economic development target will improve business expansion and attraction outcomes. Economic Development will work with Marketing and Communications to maximize the package's professional appearance and to compliment the City's marketing and branding objectives.

In regards to the Go-to-Market Strategy, recommendations are focused on a tactical approach to business retention, expansion, attraction, and prospecting. The focus will be on existing industries that are aligned with identified targets. The recommendations include: 1) Existing Business Development; 2) Packaging; 3) Positioning; 4) Target Markets; 5) Business Attraction Tactics; and 6) Earned Media.

Existing Business Development

The first place to start in the Go-to-Market Strategy is to work with the businesses and clusters that are already located in our City. The City has long reached out to all segments of the local business community. Recent efforts have been focused on those businesses within the City's Enterprise Zone, with an emphasis on advanced manufacturing businesses. As recommended in the Go-to-Market Strategy, staff will focus efforts to work with businesses industries in the targeted clusters to better understand the needs of these particular industries.

Packaging & Positioning

As noted above, the Package and Positioning recommendations are factors that cross over into both the Competitive Location Assessment as well as the Go-to-Market strategies. The efforts described above will be carried forward in this section.

Target Markets

The six target clusters were identified in the in the Best Fit Targets Clusters portion of the study. One to two target clusters will be selected for priority prospecting campaigns and building a

pipeline of prospects. Staff will begin to identify priority clusters with best opportunities to be matched to a near term project development.

Business Attraction Tactics

A variety of attraction will be utilized, with a focus on direct marketing and sales with screened business targets, collaborative marketing with Tijuana to promote the bi-national opportunities, and relationship marketing through regional organizations such as the South County EDC, TeamCalifornia and with site selection and brokerage community.

Earned Media

Communications, messaging and media are handled by the Office of Communications. Several media outlets are aligned with target clusters and will be targeted for earned media (news, announcements, and stories).

Conclusion

What is distinctly unique that differentiates Chula Vista is the proximity to Tijuana, the connectivity to San Diego's resources and educational institutions as well as a multinational residence base. Chula Vista offers a quality location for headquarters, sales, research and development, and high tech testing with the cross-border manufacturing opportunity.

The Consultant Team has developed a detailed course of action that will increase the City's ability to attract and retain quality jobs for the community. Several of the recommendations are currently being implemented by City staff.

"What will success look like when the plan is implemented?" The Consultant Team ran an impact model based on a scenario of a company similar to Chula Vista's targeted industry sectors; light manufacturing that would employ 80 people at an average annual total payroll of \$3.5 million, with a capital investment of \$8 to \$10 million in construction and equipment. Using multipliers for light industry estimated economic benefit generated by the company would be \$19+ million annually in goods and services, an additional 100+ indirect (support) jobs, and would result in an additional \$200,000+ annually in local taxes. While these are approximations, this example shows the financial benefits to the local economy and the need to best position the City for these types of investments.

DECISION MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently, the 500-foot rule found in California Code of Regulations section 18704.2(a)(1) is not applicable to this decision. Staff is not independently aware, nor has staff been informed by any City Councilmember, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT YEAR FISCAL IMPACT

The Business Cluster Analysis study was funded under the FY13 fiscal year budget. No additional funding is required to complete the study.

ONGOING FISCAL IMPACT

Staff will return to the City Council with a range of options to implement the recommended business cluster/quality job development strategy. The resources to execute each option and a projection of the costs and benefits of those options will be outlined in staff's report.

ATTACHMENTS

- A. Business Cluster Analysis
 - 1. Executive Summary
 - 2. Target Industry Sectors
 - 3. Go-to-Market Strategy
 - 4. Competitive Location Analysis

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